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SUBJECT: An Agricultural Bank in the Pipeline

¶1. SUMMARY: On June 25, 2006, the GOB hosted a meeting with its institutional and private partners to invite them to be part of the CFA 10 billion Francs CFA (USD 2.15 million) capital of a would-be agricultural bank, AgriBanque-Benin, a private-public banking institution. The decision by the GOB to set up the bank is consistent with its agricultural reform program. The objectives of the GOB's move are to boost the agricultural sector, to get Benin self sufficient in food production and to enable the country to become a major crop exporter in the West African sub region by 2015. END SUMMARY.

#### SHAREHOLDING OF AGRIBANQUE-BENIN

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¶2. The authorized capital of the new Agribanque-Benin is 10 billion Francs CFA (USD 2.15 million). To assure that the targeted capital would be reached, the GOB has decided to hold between 25% and 35% of shares. The rest of the shares will be held by individuals, banking institutions and other companies. The Benin Chamber of Commerce and Industry and the ECOWAS' Investment and Development Bank have already expressed their intention to hold 35% and 10% of the capital respectively. The West African Development Bank, two insurance companies, and other private companies (also represented at the meeting) promised to participate in the capital of the Bank. In total, an amount of CFA 5.325 billion (USD 1.13 million), 53.25% of the authorized capital of Agribanque-Benin, was promised by participants in the meeting.

¶3. According to the bank's agenda, the constituting assembly of the shareholders will take place at the end of July 2009. This will be followed by the authorization formalities with the monetary authorities, the West African States Central Bank (BCEAO) and the West African Economic and Monetary Union, WAEMU, in October. Formal bank activities are scheduled to commence in December 2009.

¶4. Pascal Irene Koupaki, the Minister of State in Charge of Planning, Development and the Evaluation of the Public Policies and the Coordination of the Government's Actions, chaired the meeting and assured the participants that the bank would be managed as a private bank with management appointed by the Bank's Board of Directors. Koupaki added that the GOB would sell the majority of its shares to interested private companies and individuals as the bank grows. He cautioned that the GOB would be policing the bank to make sure that it will not divert from its main objective, which is financing agricultural and agribusiness projects initiated by private companies and individuals.

#### AGRICULTURAL REFORM ACCESSIBLE FOR ALL

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¶5. According to Koupaki, the decision to create AgriBanque-Benin is to make the GOB's agricultural policy reform more comprehensive so that Benin can become self sufficient in food production and a powerful agricultural exporter by 2015. He said that the GOB already contributed to the creation of public-private joint ventures specialized in import and distribution of agricultural inputs, and an agricultural mechanization development agency. He explained that

this bank will fill the gap left by existing commercial banks which finance only cotton related products. Koupaki added that the new bank will be a private-public joint venture financial institution and will be conducting agricultural and agribusiness financing in addition to normal commercial banking activities.

¶6. COMMENT: The GOB is taking the initiative to create the agricultural bank to support its agricultural reform policy because it is aware that banking activities targeting the often small agricultural operators are perceived as risky by private investors. The GOB will ensure that the bank also conduct commercial activities in order to be able to offset any losses that may occur in financing the agriculture sector. END COMMENT.

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